

GROWTH SPURT

IN THE CURRENT ECONOMIC CLIMATE, ASIA OFFERS THE STRONGEST PROSPECTS FOR PHARMA GROWTH. STEPHEN PHUA OF IMS ASIA AND TED SAEKI OF IMS JAPAN EXPLAIN HOW AND WHY THE MAJOR MARKETS IN THE REGION ARE EXPANDING AT SUCH A RAPID RATE.

When asked to explain why there should be a publication dedicated exclusively to the pharmaceutical market in Asia, our first thought was of Elizabeth Barrett Browning's famous line of poetry, 'let me count the ways'. The region could qualify for its own publication on any one of several counts: size, diversity, complexity and potential. But, of course, the main reason why all eyes are on Asia is its potential. Consider:

- Population growth is expected to boost demand for pharmaceuticals throughout the region, especially in the Philippines, Malaysia, India and Indonesia. In Japan, an ageing population will spur growth in chronic therapy areas.
- Between them, India and China are home to more than one-third of the world's population, but the entire Asia Pacific region currently only represents 17 per cent of global pharmaceutical sales. The disparity suggests room for tremendous growth.
- The Asia Pacific market (excluding Japan) is expected to grow faster than any other region over the next five years, averaging 9–12 per cent growth and taking the market to \$55–62bn.
- With the exception of Japan, governments in the area are actively attempting to drive up levels of insurance coverage or access to basic healthcare.
- Due to recent improvements in patent protection business practices, China, Japan and India are now much more hospitable environments for multinational companies.

- China has been enjoying tremendous economic vitality, which has boosted disposable household income. Plus, the Chinese Government has initiated a number of policies to improve the availability of high-quality, cost-effective healthcare. Here, sales are expected to rise at a CAGR in excess of 16 per cent a year.
- Japan, with audited sales of \$58bn in 2004, is on the verge of making several changes that could dramatically improve its sales productivity.

While many of the legislative and regulatory changes that have recently come into effect make the Asian operating environment less unfamiliar to multinational companies that are used to doing business in North America and Europe, the fact remains that each country in the region is unlike any other. Multinationals wishing to operate successfully within these countries must understand all the nuances of each market, just as domestic companies need to understand the broader and changing context of their competitive environment.

In offering a global review on the key dynamics of the marketplace, the emergence of *Pharma Focus Asia* is particularly timely. Opportunities abound, but only for those who grasp the issues and have a plan for dealing with them.

JAPAN

Western giants are extending their reach into Japan and are shaking up the market. As of 1 April 2005, they no longer need to have their own

Country	2004 sales (US\$bn)	Share (%)
Japan	58.0	64
China (hospital)	7.6	8.5
Australia	5.8	6.6
Korea	5.7	6.5
India (retail)	4.5	5.1
Taiwan	2.8	3.2
Indonesia	1.9	2.2
Philippines	1.3	1.5
Thailand	1.1	1.3
Hong Kong	0.4	0.5
Malaysia	0.3	0.4
Singapore	0.2	0.3
Total	\$89.7	

Table 1. Asia Pacific global sales and regional share 2004 (constant exchange rates and at ex-manufacture level)

Ranking		% share
1	Pfizer	5.8
2	Takeda	4.1
3	Roche	3.4
4	Novartis	3.3
5	GlaxoSmithKline	3.2
6	Sanofi-aventis	2.8
7	Otsuka	2.8
8	Merck & Co	2.7
9	AstraZeneca	2.5
10	Sankyo	2.5

Table 2. Top ten corporations in Asia Pacific 2004

manufacturing facilities to operate in the country, and they can apply for product-specific marketing approvals (as opposed to manufacturer-based approvals).



Audited therapy class	Sales (US\$bn)	% sales	% growth constant \$ vs 2003
1 Cardiovascular system	16.3	18.2	13
2 Alimentary tract, metabolism	13.9	15.5	11
3 Systemic anti-infectives	12.2	13.6	9
4 Central nervous system	7.7	8.6	16
5 Antineoplastic and immunomodulators	6.7	7.5	20
6 Respiratory system	6.0	6.7	7
7 Musculo-skeletal system	5.4	6.1	12
8 Blood and blood-forming organs	5.0	5.6	14
9 Hospital solutions	2.8	3.2	9
10 Various	2.6	2.9	18

Table 3. Top ten therapy classes in Asia Pacific 2004

Product	Molecule	Manufacturer	Sales (US\$bn)	Share (%)	Change vs 2003 (%)
1 Norvasc	[amlodipine]	Pfizer Japan	0.905	1.0	14
2 Blopress	[candesartan]	Takeda Yakuhin Kogyo	0.855	1.0	28
3 Mevalotin	[pravastatin]	Sankyo	0.735	0.8	-15
4 Lipitor	[atorvastatin]	Pfizer Japan	0.696	0.8	15
5 Diovan	[valsartan]	Novartis Pharma Japan	0.679	0.8	34
6 Epogin	[epoetin beta]	Chugai Seiyaku	0.645	0.7	8
7 Gaster	[famotidine]	Yamanouchi Seiyaku	0.610	0.7	0
8 Nu Lotan	[losartan]	Banyu Seiyaku	0.537	0.6	8
9 Basen	[voglibose]	Takeda Yakuhin Kogyo	0.503	0.6	15
10 Leuplin	[leuprolide]	Takeda Yakuhin Kogyo	0.490	0.5	13
Total			\$8.97bn		

Table 4. Top ten brands in Asia Pacific 2004

In addition, with the gradual separation of prescribing and dispensing, the dynamics of the sales process have changed and multinationals have learned that they can be successful with their own sales forces and techniques. This is setting a new standard of productivity for all – one which Japanese companies will need to meet to be successful.

Japanese companies that have come to rely on licensing-in agreements to make up for their own sparse pipelines will now find fewer opportunities. Indeed, many are restructuring and looking for partners to boost their R&D capabilities.

CHINA

Although China is rapidly moving

through the ranks in terms of world market sales, its industry is struggling to establish a reputable and profitable public profile. New government quality standards, while helping to boost sales, are hurting its profile. Many small companies have been forced to either shut down or be acquired by larger companies.

While Chinese products currently control 65 per cent of the country's market, China is now more open to foreign companies, following the passing of laws protecting intellectual property rights and allowing multinational companies to operate without a domestic partner.

Meanwhile, bilateral trade across all sectors is growing between China and

India. It is not inconceivable that these two countries, with their complementary competencies, could work collaboratively to compete with multinational giants.

INDIA

With patent protection in place following India's compliance with WTO requirements, companies are more likely to invest in new drug discoveries and be able to set acceptable profit margins. In the medium to long term, the multinational companies are looking for market access that will enable them to launch their premium priced products, and Indian pharmaceutical companies are making inroads into the generics and biotech markets, which in time will make them a truly global force.

In the short term, domestic companies are being pressurised to improve their efficiencies and many are finding that they must narrow their product line in order to improve their focus. The market is also expected to experience investment in areas such as clinical research, R&D and manufacturing facilities.

These are just a few of the highlights from the 12 individual markets in the region. *Pharma Focus Asia* will, we are sure, become a trusted resource in showcasing the dynamics of this developing region as it takes a more prominent place in the world market. ■

AUTHORS

Stephen Phua, MD, MBBS, MFPM, is vice president and general manager of IMS Asia Pacific, with responsibility for IMS operations in Australasia, South-east Asia, East Asia and South Asia. He has over 18 years' experience in the pharmaceutical industry, including positions with Wellcome Pharmaceuticals and Rhone Poulenc Rorer.

Ted Saeki is president and representative director of IMS Japan, with responsibility for managing IMS Japanese operations. He has extensive senior-level management experience across a number of global industries in a career spanning over 40 years.

